Atlanta Shakespeare Company, Inc.

Financial Statements

For the Years Ended
June 30, 2017 and 2016

Atlanta Shakespeare Company, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Atlanta Shakespeare Company, Inc.

We have audited the accompanying financial statements of Atlanta Shakespeare Company, Inc. (a Georgia nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Shakespeare Company, Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Magoon, Freeman, Spain & Jones, LLC

Alpharetta, Georgia
October 31, 2017

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Atlanta Shakespeare Company, Inc.

Statements of Financial Position

As of June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	$ 82,840	$ 117,020
Contributions and accounts receivable	7,829	13,077
Grant receivable	-	10,000
Employee advances	112	1,660
Inventory	21,427	20,608
Prepaid expenses	21,901	18,911
Total Current Assets	134,109	181,276
Noncurrent Assets		
Cash - restricted	40,000	40,000
Investments	15,696	18,787
Property and equipment, net	2,785,912	1,905,332
Security deposits	2,500	2,500
Total Noncurrent Assets	2,844,108	1,966,619
Total Assets	$ 2,978,217	$ 2,147,895
Liabilities and Net Assets		
Current Liabilities		
Line of credit	$ 30,000	$ -
Note payable - related party	600,000	-
Credit cards payable	38,101	9,173
Accrued expenses	31,035	36,570
Total Current Liabilities	699,136	45,743
Net Assets		
Unrestricted	2,228,693	2,018,939
Temporarily restricted	10,388	43,213
Permanently restricted	40,000	40,000
Total Net Assets	2,279,081	2,102,152
Total Liabilities and Net Assets	$ 2,978,217	$ 2,147,895

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

Atlanta Shakespeare Company, Inc.

Statements of Activities

For the Years Ended June 30, 2017 and 2016

	For the Year Ended June 30, 2017				For the Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUES								
Ticket sales	$ 589,839	$ -	$ -	$ 589,839	$ 593,694	$ -	$ -	$ 593,694
Education ticket sales	297,920	-	-	297,920	319,866	-	-	319,866
Education contract services	80,507	-	-	80,507	67,757	-	-	67,757
Other earned income	221,474	2,406	-	223,880	225,943	-	-	225,943
Interest and dividend income	6,289	20	-	6,309	1,301	-	-	1,301
Contributions from business	19,994	-	-	19,994	21,007	-	-	21,007
Contributions from foundations	56,166	190,000	-	246,166	160,349	-	-	160,349
Contributions from individuals	405,637	251,963	-	657,600	366,721	177,500	-	544,221
Grants from government agencies	112,500	-	-	112,500	111,000		-	111,000
Net Assets Released from Restrictions:								
Satisfaction of usage restrictions	340,090	(340,090)	-	-	134,199	(134,199)	-	-
Total Support and Revenues	2,130,416	104,299	-	2,234,715	2,001,837	43,301	-	2,045,138
FUNCTIONAL EXPENSES								
Program services	1,668,321	122,476	-	1,790,797	1,660,945	-	-	1,660,945
Fundraising	9,580	11,206	-	20,786	11,660	-	-	11,660
Supporting services	242,761	3,442	-	246,203	247,205	88	-	247,293
Total Functional Expenses	1,920,662	137,124	-	2,057,786	1,919,810	88	-	1,919,898
Increase (Decrease) in Net Assets	209,754	(32,825)	-	176,929	82,027	43,213	-	125,240
Net Assets, Beginning of year	2,018,939	43,213	40,000	2,102,152	1,936,912	-	40,000	1,976,912
Net Assets, End of year	$ 2,228,693	$ 10,388	$ 40,000	$ 2,279,081	$ 2,018,939	$ 43,213	$ 40,000	$ 2,102,152

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

Atlanta Shakespeare Company, Inc.

Statements of Functional Expenses

For the Year Ended June 30, 2017

	Program Services	Fundraising	Support Services	Totals
Salaries and employee benefits	$ 1,205,697	$ -	$ 186,676	$ 1,392,373
Outside fees and services	40,659	-	14,035	54,694
Space rental	14,675	-	-	14,675
Travel	10,821	-	-	10,821
Marketing	63,580	-	-	63,580
Equipment - repairs and maintenance	34,252	-	-	34,252
Supplies	148,975	4,547	8,142	161,664
Utilities	50,906	-	5,656	56,562
Property tax	-	-	3,442	3,442
Bank charges	47,800	-	2,516	50,316
Interest and finance charges	7,970	-	-	7,970
Business insurance	79,073	-	8,786	87,859
Other expenses	38,781	7,000	5,047	50,828
Fundraising and development	-	9,239	-	9,239
Total Expenses Before Depreciation	1,743,189	20,786	234,300	1,998,275
Depreciation	47,608	-	11,903	59,511
Total Functional Expenses	$ 1,790,797	$ 20,786	$ 246,203	$ 2,057,786

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

Atlanta Shakespeare Company, Inc.

Statements of Functional Expenses

For the Year Ended June 30, 2016

	Program Services	Fundraising	Support Services	Totals
Salaries and employee benefits	$ 1,121,732	$ -	$ 184,731	$ 1,306,463
Outside fees and services	46,460	-	17,250	63,710
Space rental	14,169	-	-	14,169
Travel	12,632	-	-	12,632
Marketing	59,369	-	-	59,369
Equipment - repairs and maintenance	21,041	-	-	21,041
Supplies	150,786	8,608	11,761	171,155
Utilities	50,971	-	5,663	56,634
Bank charges	51,144	-	2,692	53,836
Interest and finance charges	2,146	-	-	2,146
Business insurance	50,362	-	5,596	55,958
Other expenses	40,785	-	9,762	50,547
Fundraising and development	-	3,052	-	3,052
Total Expenses Before Depreciation	1,621,597	11,660	237,455	1,870,712
Depreciation	39,348	-	9,838	49,186
Total Functional Expenses	$ 1,660,945	$ 11,660	$ 247,293	$ 1,919,898

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

Atlanta Shakespeare Company, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

		2017		2016
Cash Flows from Operating Activities				
Increase in Net Assets	$	176,929	$	125,240
Adjustments to reconcile changes in net assets to net cash provided by operating activities				
Depreciation		59,511		49,186
Donated services included in contributions		(50,000)		-
Donated property included in contributions		(2,500)		-
Earnings on investments and change in restricted cash		3,091		(1,809)
Changes in Assets: (Increase) Decrease				
Contributions and accounts receivable		5,248		13,181
Grant receivable		10,000		(10,000)
Employee advances		1,548		(593)
Inventory		(819)		648
Prepaid expenses		(2,990)		288
Changes in Liabilities: Increase (Decrease)				
Credit cards payable		28,928		1,309
Accrued expenses		(5,535)		7,078
Net Cash Provided by Operating Activities		223,411		184,528
Cash Flows from Investing Activities				
Purchase of property and equipment		(287,591)		(136,137)
Net Cash Used In Investing Activities		(287,591)		(136,137)
Cash Flows from Financing Activities				
Net proceeds from line of credit		30,000		(60,000)
Net Cash Provided by (Used in) Financing Activities		30,000		(60,000)
Net Decrease in Cash		(34,180)		(11,609)
Cash, Beginning of Year		117,020		128,629
Cash End of Year	$	82,840	$	117,020
Supplemental Disclosure of Cash Flow Information				
Interest paid	$	7,970	$	2,146
Supplemental Non-Cash Investing and Financing Activity				
Property purchased through financing	$	600,000	$	-

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

Note A – Organization Overview

Atlanta Shakespeare Company, Inc. (the Organization) was organized in December 1979 in the State of Georgia. The Organization is a nonprofit entity that provides theater to the Atlanta metropolitan area. A substantial portion of the Organization's income is derived from ticket sales and educational programs, concessions, and souvenir sales to the general public. Contributions from corporations, foundations and individuals, and government grants supplement ticket sales revenues.

Atlanta Shakespeare Academy LLC, a Georgia limited liability company (LLC) wholly owned by the Organization was formed in August 2016. In September 2016, this LLC purchased property at 497 Peachtree Street adjacent to the Organization's current location.

Note B – Summary of Significant Accounting Policies

1. Financial Statement Presentation

   The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the activity of Atlanta Shakespeare Company, Inc. and Atlanta Shakespeare Academy, LLC. Atlanta Shakespeare Academy LLC is a disregarded entity for tax and accounting purposes, therefore the accounting is not separate from Atlanta Shakespeare Company, Inc.

   The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

   The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

   Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

   Management has evaluated subsequent events through October 31, 2017, the date on which the financial statements were available to be issued, and with the exception of the events disclosed in Notes E, F and G, is not aware of significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that would have a material effect on the financial statements.

2. Cash and Cash Equivalents

   The Organization considers all short-term securities purchased with an original maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of June 30, 2017 and 2016.

3. Contributions and Accounts Receivable

   Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. As of June 30, 2017 and 2016, there were no unconditional promises to give. There is no allowance for uncollectible accounts included in these financial statements as management believes all receivables are fully collectible.

Note B – Summary of Significant Accounting Policies (continued)

4. Inventory

   Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first out (FIFO) method. Market is determined based on net realizable value. Inventory is comprised of souvenirs, and alcohol to be sold at concessions.

5. Investments

   The Organization's investments consist of marketable securities that have a readily determinable fair market value. The investments consist of debt and equity securities which are held by a financial institution and are carried at fair market value. The fair value of marketable securities are based on quoted prices in active markets, sometimes referred to as a Level 1 measurement. All investment income, including both realized and unrealized gains and losses on investments, are included in the statement of activities.

6. Property and Equipment

   Property and equipment are recorded at cost. Expenditures for property and equipment exceeding total cost of $500 are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant property and equipment categories are as follows:

Building and improvements	50 years
Equipment, furniture and fixtures	7 - 20 years

7. Income Taxes

   The Organization is a tax-exempt organization under the provisions of Internal Revenue Code Section 501(c)(3).

   Accounting principles generally accepted in the United States of America recognize that the ultimate allowability of positions taken or expected to be taken on tax returns is often uncertain. The accounting principles provide guidance on when tax positions claimed by an entity can be recognized and guidance on the dollar amount at which those positions are recorded. In order to recognize the benefits associated with a tax position taken, the entity must conclude the ultimate allowability is more likely than not, and if not make the appropriate adjustments or disclosures. As of June 30, 2017, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the Organization's financial statements.

8. Net Assets

   The Organization's net assets and changes therein are classified and reported as follows:

   - Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
   - Temporarily restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.
   - Permanently restricted - Net assets subject to donor-imposed restrictions that are to be maintained permanently by the Organization.

Note B – Summary of Significant Accounting Policies (continued)

9. Ticket Sales

   Sales are recorded when tickets are purchased.

10. Grant Revenue

    In addition to normal fundraising activities, the Organization receives funding from several government financial assistance programs. The awards under these programs are recognized as revenue when awarded or received, depending on when contractual obligations are satisfied.

11. Contributed Services

    The value of contributed services, meeting the requirements for recognition in the financial statements for the year ended June 30, 2017 totaled $50,000. For the year ended June 30, 2016 the value of contributed services were not material and have not been recorded. Additionally, many individuals volunteer a significant amount of their time to the Organization that is not reflected in the financial statements as the services provided do not meet the required criteria for recognition of revenue.

12. Advertising Costs

    Advertising and sales promotion costs are expensed as incurred. Advertising expense for the years ended June 30, 2017 and 2016 totaled $22,785 and $22,540, respectively.

Note C – Concentration of Risk

The Organization maintains its cash balances at local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times during the year the Organization may have amounts on deposit in excess of FDIC insured limits. The Organization had no uninsured cash balances as of June 30, 2017.

Giving can vary from year-to-year and approximately 46% and 40% of the Organization’s revenue came from giving for the years ended June 30, 2017 and 2016, respectively.

Note D – Property and Equipment

Property and equipment is comprised of the following as of June 30, 2017 and 2016:

	2017	2016
Furniture and equipment	$ 297,240	$ 226,775
Land and building	1,637,741	860,288
Leasehold improvements	1,562,443	1,476,155
Total Property and Equipment	3,497,424	2,563,218
Accumulated Depreciation	(711,512)	(657,886)
Net Property and Equipment	$ 2,785,912	$ 1,905,332

Depreciation expense for the years ended June 30, 2017 and 2016 totaled $59,511 and $49,186, respectively.

Note E – Debt

Line of Credit

The Organization has entered into agreements with two banks for revolving lines of credit. One allows for advances up to $100,000. Advances under the lines of credit are used for working capital and bear interest at the bank's prime rate plus 1% (effective rate of 5.25% as of June 30, 2017 and 2016). The line of credit is secured by substantially all assets of the Organization. Under the terms of the line of credit agreement, the Organization is required to maintain a certain a minimum net worth and other specific ratios for which the Organization was in compliance as of June 30, 2017. The line of credit matures in February 2018 and is expected to be renewed on an annual basis. There was no balance on the line of credit as of June 30, 2017 and 2016.

The second agreement allows for advances up to $35,000. Advances under this line of credit bear interest at the bank's prime rate plus 0.75% (effective rate of 5% and 4% as of June 30, 2017 and 2016). This line of credit is unsecured. It matures in July 2017 and is expected to be renewed on an annual basis. The balance of the line of credit as of June 30, 2017 and 2016 totaled $30,000 and $-0-, respectively.

Interest expense incurred for the years ended June 30, 2017 and 2016 totaled $4,634 and $2,051, respectively.

Notes Payable

On September 14, 2016, Atlanta Shakespeare Academy LLC borrowed funds for the purchase by the LLC of property located at 497 Peachtree Street pursuant to loan agreements totaling $600,000 ($300,000 each) with two board members of the Organization. The notes mature on December 31, 2017, and through said date, the notes bear no interest and require payments equal to amounts received from capital campaigns or from donations received that are specifically identified to reduce the principal balances of the notes. After December 31, 2017, any outstanding principal balance on the notes will convert to demand notes and bear interest at a rate equal to Prime Rate as published from time to time by the Wall Street Journal. The notes are secured by the acquired property and repayment is an obligation owed solely by the LLC and is not guaranteed by the Organization. In July 2017 the notes were paid in full.

Note F – Net Assets

Temporarily Restricted

In May 2015, the Organization adopted a Strategic Plan which includes a campaign to raise funds used to finance the expansion of the educational programs, and enhancement of the theater and facilities. The funds raised from this campaign are recognized as temporarily restricted revenues and as net assets released from restrictions when expended either through purchases or depreciation on purchases that are capitalized. Temporarily restricted net assets for the years ended June 30, 2017 and 2016 totaled $10,388 and $43,213, respectively. In July 2017, the Organization received a grant of $750,000, which was contingent upon the transfer of the facility at 497 Peachtree Street as disclosed in Note G.

Permanently Restricted

In 2004, the Organization received a permanent endowment in the amount of $40,000 with donor-imposed restrictions that the corpus of the endowment remains permanently restricted, and all proceeds from earnings of the corpus to be used for the purpose of funding future repairs and maintenance of the building. The earnings from the endowment are recognized as temporarily restricted revenues as earned and as net assets released from restrictions when expended.

Note G –Commitments

The Organization has an agreement with Metropolitan Foundation of Atlanta, Inc. (the Foundation) to lease the Organization's facility at 499 Peachtree Street for ninety-nine years at an annual lease rate of $1 per year. The terms of the agreement with the Foundation do not allow any lien or encumbrance to be placed against the facility. Due to the nature of the lease, the Organization accounts for this property as if still owned. In July 2017, the Organization received a grant of $750,000, which was contingent upon the transfer to the Foundation of title to the Organization's facility at 497 Peachtree Street. In connection with this transfer, this lease with the Foundation was amended and restated to include the Organization's facility at 497 Peachtree Street for ninety-nine years commencing on the new lease date, and to increase the annual lease rate to $10 per year.

Note H –Retirement Plan

The Organization participates in a retirement program sponsored by the Actor's Equity Association (AEA) for all employees that are members of the AEA. The Organization makes contributions to the plan based on 8% of total compensation paid to member employees. Total contributions made by the employer totaled $16,209 and $13,400 for the years ended June 30, 2017 and 2016, respectively.

Note I –Related Party Transactions

The Organization engages a firm, owned 100% by the Administrative Director and spouse of the Artistic Director, to provide tax and consulting services. For the years ended June 30, 2017 and 2016, the Organization paid tax and consulting fees to that firm of $8,460 and $7,985, respectively.

The Organization receives charitable contributions from various board members. For the years ended June 30, 2017 and 2016, the Organization received charitable contributions from board members totaling $179,426 and $257,650, respectively. For the years ended June 30, 2017 and 2016, the organization received contributed services for legal fees from a board member totaling approximately $50,000 and $-0-, respectively.

On September 14, 2016, Atlanta Shakespeare Academy LLC entered into two loan agreements totaling $600,000 with two board members of the Organization, as disclosed in Note E. In July 2017 these loans were paid in full.